

STATEMENT OF PURPOSE

RS22411C2

This bill amends Section 57-814, Idaho Code, to increase the statutory cap for the Budget Stabilization Fund from 5% of the previous year's General Fund revenues to 10% beginning in FY 2015.

Idaho Code currently provides a method to transfer money from the General Fund to the Budget Stabilization Fund in an orderly fashion to protect state programs during sudden economic downturns. The law provides for a transfer if revenues exceed 4% growth over the previous fiscal year. The transfer can be up to 1% of the General Fund revenues of the fiscal year just ended, and the Budget Stabilization Fund balance cannot exceed 5% of the General Fund revenues for the fiscal year just ended. As of July 1, 2013, the Budget Stabilization Fund had a balance of \$135.1 million, and after the scheduled transfers in FY 2014 of \$2.4 million it will meet the statutory cap at \$137.5 million. This cap will stay in place for FY 2014 with no additional "automatic" transfer. In FY 2015, the cap of 10% will increase to \$275.0 million, which will allow the state to double the amount it can save in this fund.

Recent history shows that the amount of state savings necessary to weather a significant recession cannot occur with the current 5% cap. At the beginning of FY 2009, there was a balance of \$248.8 million in the General Fund, \$140.6 million in the Budget Stabilization Fund, \$112.0 million in the Public Education Stabilization Fund, and \$66.1 million in the Economic Recovery Reserve Fund for a total of \$531.5 million.

The State also transferred into the General Fund:

- \$12.0 million from the Capitol Endowment Income Fund
- \$5.0 million from the Aquifer Management Fund
- \$6.1 million from the Consumer Protection Fund
- \$18.9 million from other dedicated funds
- \$14.9 million from the Permanent Building Fund
- \$21.9 million from the Millennium Fund, and
- \$8.0 million from the Liquor Fund for a total of \$86.8 million

By the end of FY 2011, there was a balance of \$69.9 million in the General Fund, \$100,000 in the Budget Stabilization Fund, and \$11.1 million in the Public Education Stabilization Fund for a total of \$81.1 million.

Over that three-year period, the state spent \$537.2 million from reserves, cash balances, and transfers from other funds and cut budgets by 19%. If the Budget Stabilization Fund cap is increased to \$275 million for FY 2015, and the state reaches its statutory cap over time, it will be able to account for over half of that three-year total.

FISCAL NOTE

There is no projected impact to the General Fund in FY 2015 since the General Fund is projected to grow at 2.1%. If the revenue growth in FY 2014 does exceed 4%, then there will be a transfer in FY 2015.



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